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November 26, 2003

The Honorable Pierce R. Homer  
Chairman, I-81 Advisory Panel  
Ninth Street Office Building  
202 North 9th Street – 5th Floor  
Richmond, Virginia 23219

Dear Chairman Homer:

Thank you for providing Fluor Virginia with VDOT's Financial Evaluation Summary and your financial consultant's report, which were the basis of the November 14 Advisory Panel meeting. Based on these documents and the discussion in Staunton, we believe that your analysis represents a thorough understanding of the key elements of our proposal. It also highlighted for us the areas where we failed to clearly present our plan in the proposal documents. Those areas where we would like to provide further clarification follow:

**Reimbursement of Proposal Costs** – Fluor Virginia proposes to be fully at risk for all of our proposal and project development costs prior to award of a contract and agrees not to seek reimbursement from VDOT for any such expenses. Upon being selected as the preferred bidder, Fluor has proposed to spend additional at risk funds for critical components of project execution that would be financed as part of the capital cost of the project. The largest expenses in this category include performing preliminary design, a traffic and revenue study, and EIS support among others. In negotiation of a project development agreement, we will clearly identify the scope and expected amount of such development expenses. Fluor will remain at risk for these expenses and will agree not to seek VDOT reimbursement, but we expect to include development expenses along with a negotiated risk compensation to be paid as project expenses at financial closing.

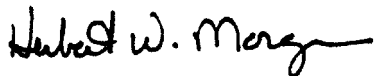
**Financial Responsibility for Project Completion** – In clarification response provided shortly before the Staunton meeting, we confirmed that Fluor will take single company responsibility for completing the entire project. That obligation will be backed by a guarantee of Fluor Corporation, which is our investment grade credit parent company. In addition to relying on Fluor, VDOT will also have access to creditworthy guarantees of the design-build contractors for the three segments.

**Assumption of Financial Risk** – As a single point of responsibility for development, design, and construction of the entire project, Fluor Virginia and our parent Fluor Corporation are taking very significant financial risks. These risks include investing millions in project development at risk to financial closing, financial responsibility for project completion for a fixed price, and financial risk for liquidated damages for project delays. We are also willing to consider financial exposure to traffic revenue risk if it is determined to be required to finance the project.

**Competitiveness of Project Cost** – Fluor Virginia competed for the project on the basis of delivering a design-build solution to the safety and congestion problems on I-81. The price of our solution was market tested at the time of bid as we were subject to competition from any credible contractor. It is the integration of design into our scope of work that allows us to deliver a price and schedule well below what would result from a traditional design-bid-build approach. The suggestion that both competitors should be given a design to price is not consistent with the intent of the PPTA to challenge the private sector to deliver a better solution. Our experience with VDOT on the Pocahontas Parkway confirms our ability to prove our value proposition in contract negotiations. In addition to the competitive and negotiating constraints to keep our price low, we will be required to certify to Bond Counsel at closing that we are charging a market price for our scope of work.

We appreciate this opportunity to clarify our proposal and encourage your staff and consultants to contact us with any other areas where we did not provide the information needed to complete your analysis.

Sincerely,

A handwritten signature in black ink, appearing to read "Herbert W. Morgan". The signature is fluid and cursive, with a long horizontal stroke at the end.

Herbert W. Morgan  
Project Director